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Message Text

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15
ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-05 CIAE-00 COME-00 DODE-00

DOTE-00 INR-07 NSAE-00 FAA-00 TRSE-00 L-02 PA-02

USIA-15 PRS-01 SP-02 /054 W
---------- 127935
R 131950Z MAY 75
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 6418

UNCLAS OTTAWA 1785

POUCHED INFO ALL CONGENS CANADA

E.O. 11652: N/A
TAGS: EAIR CA
SUBJECT: CIVAIR: AIR FARE INCREASE AND AIR CANADA INVESTIGATION

REF: OTTAWA 1460

1. ON THE EVE OF CANADIAN TRANSPORT COMMISSION (CTC) PUBLIC HEARINGS ON NEW DOMESTIC AIR FARES ANNOUNCED LAST MONTH BY THE TRUNKLINES AND REGIONAL CARRIERS, AIR CANADA ANNOUNCED A SIGNIFICANT REDUCTION IN ITS PROPOSED SHORT-HAUL INCREASES. ACCORDING TO PRESS THESE WILL BE LIMITED TO $5 FOR ONE WAY ECONOMY CLASS SERVICE ON EIGHTEEN ROUTES WHICH HAD BEEN SCHEDULED FOR MUCH STEEPER RISES. THIS LIMITATION RESPONDS TO PRESSURES EXERTED BY THE GOC THROUGH TRANSPORT MINISTER MARCHAND. PRESUMABLY CP AIR AND THE REGIONALS WILL FOLLOW AIR CANADA'S LEAD.

2. CTC HEARINGS APPARENTLY REPRESENT THE SECOND TIME THE COMMISSION HAS HELD AN OPEN INQUIRY INTO FARE INCREASES. ACCORDING TO PRESS, CONSUMER ASSOCIATION OF CANADA AND GOVERNMENT OF BRITISH COLUMBIA AMONG OTHERS WILL ACTIVELY PARTICIPATE. HOWEVER, HEARING WILL BE HELD UNDER TERMS SET OUT IN AERONAUTICS ACT RATHER THAN LESS RESTRICTIVE NATIONAL TRANSPORTATION ACT (SEE OTTAWA 2307, JULY 22, 1974 FOR DISCUSSION OF DISTINCTION BETWEEN THE TWO ACTS)
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AND IT REMAINS TO BE SEEN WHETHER CTC WILL ACT TO

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SUSPEND OR DISALLOW PROPOSALS.

3. BASIC RATIONALE ADVANCED BY CARRIERS FOR FARE INCREASES RELATES TO INFLATIONARY PRESSURES INCLUDING FUEL COSTS) WHICH, IN THE CASE OF AIR CANADA, PRODUCED 1974 DEFICIT NOW OFFICIALLY CALCULATED AT $9.2 MILLION (VERSUS JANUARY PRELIMINARY CALCULATION OF $9 MILLION, SEE OTTAWA 0062). HOWEVER, TESTIMONY INTRODUCED AT PUBLIC INQUIRY CURRENTLY UNDERWAY INTO CARRIERS FINANCIAL MANAGEMENT SYSTEM SUGGESTS POSSIBILITY THAT VARIOUS IRREGULARITIES MAY HAVE BEEN A FACTOR IN PRODUCING THIS DEFICIT AND COMPOUNDING OTHER PRESSURES. IT REMAINS TO BE SEEN WHAT BEARING THESE DISCLOSURES WILL HAVE ON THE AIR FARES QUESTION.

4. CLIPPINGS ON BOTH THE AIR FARES QUESTION AND THE AIR CANADA INQUIRY ARE BEING SENT TO STATE (STYLES). CAB (LITTON) AND DOT (EASTMAN/FLYNN).
PORTER

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Message Attributes

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Disposition Case Number: n/a
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Disposition Event:
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